

# **Viatical & Life Settlements Consumer Information**

## **Special Report**

### **Mutual Benefits Corp. Policy Sales ©**

BY

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#### **INFORMATION NEEDED**

Investors must notify the receiver prior to March FIRST about the future of their investment. They are offered three options: (A) The receiver will attempt to sell the policy in which they have some interest; (B) Keep the policy; (C) Surrender the policy to the insurance company that issued it.

For some investors the choice may affect their entire lifestyles, particularly if they are retirees, have serious health problems, or invested large sums of money. That is why the information provided by the receiver is too limited for them to make an informed decision. The information sent to investors is limited to

- MBC reference code for the policy
- Original Policy Face Value (death benefit)
- Investor's percentage of interest
- Number of investors on the policy
- Policy number and insurance company that issued the policy
- Plan of insurance (term, whole life, universal, group)
- Estimated current annual premium
- Estimated date when investor's obligation to pay premiums will begin
- Whether the policy insures someone who was diagnosed as HIV or as non-HIV
- Date of last contact with the insured.

The above list does not inform investors

- Whether the “original policy face value” (second item on the list) changed and, if so, the *current* death benefit
- If the original policy face value changed, whether it could change again and under what circumstances
- That term insurance and most group insurance have no cash value
- Whether whole life or universal life policies have any cash value and, if so, the amount
- Whether the policy pays dividends and, if so, the amount
- Whether the policy insures someone with a life-threatening illness and, if so, the date of diagnosis
- Date the policy was issued
- If the term policy is convertible to cash value and, if so, when the conversion is allowed and the amount of premium increase for the conversion
- Date the policy was transferred from the insured to a viatical company
- Current life expectancy estimate
- Whether the disability premium is available but has not been activated
- If premiums will increase and, if so, when and the amount
- Whether state-mandated non-forfeiture options, available from the insurance company, may be more practical than sale or surrender

Without this information, some investors are certain to regret their choices. For example, an investor may choose to keep the policy and to pay the pro rata share of annual premiums which, today, are \$700. Unknown to the investor, that premium share may increase to \$2500 next year.

Some insurers requested that the Court require the receiver to provide more information to investors. Their reason was self-interest. They wanted to avoid numerous requests for information from investors, since that would take considerable time and they are legally prohibited from providing such information to anyone who is not a policy owner.

The receiver opposed this request, claiming it would be too costly for his staff to analyze more than 5,000 policies for more than 31,000 investors.

But other receivers have provided greater detail, as Exhibit A shows. Additionally, it is highly likely that the MBC receiver is in possession of a database created and used by employees of Mutual Benefits Corporation or Viatical Services Inc. That database would provide the necessary information with no greater effort than a few keystrokes on the computer. Information about the policies then could be made available at little cost by posting it on the Internet. That, too, has occurred with other receiverships.